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TO RUEHC/SECSTATE WASHDC 3540
INFO RUEHOO/CHINA POSTS COLLECTIVE
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RUCPDOG/USDOC WASHDC
RUEHC/DEPT OF LABOR WASHDC
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC

UNCLAS BEIJING 000113

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USDA FOR FAS/ITP - SHEIKH
TREASURY FOR OASIA/ISA CUSHMAN
LABOR FOR ILAB
USDOC FOR ITA/MAC/OCEA - MCQUEEN

E.O. 12958: N/A
TAGS: [ECON](#) [EAGR](#) [PGOV](#) [SOCI](#) [CH](#)
SUBJECT: DOUBLING LAND USE FEES: RURAL WATCHERS HOPE
FARMERS WILL BENEFIT

SUMMARY

¶1. (SBU) China's Central Government, seeking to slow development in urban areas and protect farmland, implemented a new regulation on January 1 to double land use fees. The regulation, announced by the Ministry of Finance, Ministry of Land Resources, and People's Bank of China in November 2006, also seeks to curb abuses by local officials who confiscate land without adequate compensation, by reallocating revenue from land use fees to the Central and Provincial Governments. Observers in Beijing cautiously welcomed the regulation and said they hope it will be implemented in such a way that it increases compensation provided to farmers when their land is confiscated. END SUMMARY.

NEW LAND USE FEES GO INTO EFFECT

¶2. (U) The Ministry of Finance, Ministry of Land Resources, and People's Bank of China announced in a joint notice in November 2006 that China's Central Government would double land use fees for all new construction projects on January 1, 2007, in an effort to cool fixed-asset investment (FAI) and improve land use management. The fee increase, which went into effect as scheduled on January 1, is part of a series of measures aimed at protecting arable land, discouraging land abuse, and curbing FAI, according to a previous article in the English-language China Daily.

¶3. (U) The joint notice stated that the regulation seeks to curb abuses by local government officials who confiscate land without adequate compensation. These abuses have been a significant source of rural discontent in recent years, sparking protests throughout China, particularly on the outskirts of urban areas. Under the new regulation, local governments lose their share of the revenue from land sales; 30 percent of the revenues will now go to the Central Government with the remaining 70 percent allocated to Provincial Governments. In addition, the regulation stipulates that land use fees will be levied on land that is illegally confiscated.

COULD BE GOOD NEWS FOR FARMERS...

¶4. (SBU) Land policy observers in Beijing said they are cautiously optimistic about the new regulation. Du Xiaoshan, Deputy Director of the Rural Development Institute at the China Academy of Social Sciences (CASS), stated that the primary goal of the regulation is to protect the long-term interests of farmers. Du said that doubling the land use fees will help farmers at risk of losing their land while also preserving limited arable land. Li Ping, a staff attorney at the Rural Development Institute (an American NGO not affiliated with CASS), added that the regulation is a step in the right direction, expressing hope that its implementation will increase compensation provided to farmers when their land is confiscated.

...OR COULD BE MORE OF THE SAME

¶5. (SBU) COMMENT: Past experience, however, suggests that local government officials will continue to find ways to circumvent the new regulation and confiscate land from farmers and sell it to developers for personal economic gain. The new land use fee is the latest salvo fired by the Central Government in its effort to rein in local government abuses and control overheating investment in the provinces. Whether or not the regulation actually protects farmers' interests, however, will depend on how it is implemented at the local level.
SEDNEY